



**National  
Foreign  
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# Iran: 1980 Food Outlook

**An Intelligence Memorandum**

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Iran: 1980 Food Outlook

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Summary

Food shortages in Iran's urban areas will likely persist, primarily because of hoarding, bureaucratic blundering in food distribution, an inefficient and disrupted internal transportation system, and intermittent interruptions in foreign deliveries.

The movement of goods to Iran from Western Europe by overland routes through Turkey and the USSR is not likely to improve until warmer weather arrives. Meanwhile, internal distribution is snarled by inadequate spare parts to repair breakdowns of transport equipment.

Although Iran should continue to make progress in fulfilling normal import needs, food available from domestic production probably will decline. Shortages of fertilizer, seeds, and spare parts for machinery; a return to the inefficient farming of small plots; and ethnic unrest in major grain-producing areas almost certainly will cut into farm output. Even if the crops are normal, farmers may be more reluctant than ever to release surpluses to urban areas.

So far, adequate food has been available to maintain nearly normal diets throughout the country. Supplies to some extent, however, have been stretched by informal rationing and, in the case of meat, by formal rationing. Iran had an average grain harvest last year and increased foreign grain deliveries in November.

With the help of non-US producers, third party suppliers, and traders, Iran has been successful in arranging for sufficient imports to meet most of its needs for the first part of 1980. Purchases of wheat—the most important food staple—appear adequate until Iran's own crop is harvested this summer.

*The author of this paper is [redacted] Near East/Africa Branch, Developing Nations Division, Office of Economic Research. It has been coordinated with the Iran Task Force and the National Intelligence Officer for Political Economy. Research was completed on 8 February 1980. Questions and comments are welcome and should be directed to the Chief, Near East/Africa Branch, Developing Nations Division, OER, [redacted]*

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The US embargo of grain shipments to the USSR, however, will increase competition for grain from non-US suppliers; bidding for these limited supplies already has caused a runup in prices.

Arranging payments no longer appears to be a serious obstacle to signing food contracts. Reluctance among some shippers to call at Iranian ports and the inconvenience of circumventing the de facto US embargo, however, is delaying delivery of some goods. The shipping situation is likely to improve in the coming weeks, particularly as the threat of international economic sanctions or a blockade recedes.

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**Domestic Situation**

Government officials have indicated directly and indirectly that they are worried about food supplies. In late January, Iran instituted meat rationing in Tehran to improve distribution to low income groups. Such phrases as "urgently needed" and "an acute shortage of grain" are frequently used by Iranian officials and traders seeking food supplies. Shortages of cooking oils, eggs, and meat and long lines in the markets are being reported with greater frequency. Some urban poor reportedly have returned to their villages in rural areas and have resumed farming small plots.

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The situation, however, probably is still far from being critical, and there are no indications of serious malnutrition, let alone starvation, resulting from shortages. Last year's good crop has provided some hedge against an acute food shortage. Improved conditions for planting, growing, and harvesting throughout 1979 reportedly resulted in the highest output of wheat, barley, and rice in recent years. While reports may have exaggerated the success of last year's harvest, it does support our previous estimates that the domestic crop was at least nearly normal.

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**Imports**

Iran also is making considerable progress in arranging food imports. The government has been at least partially successful in replacing some grain normally imported from the United States. Wheat, Iran's largest volume food import—1.3 million metric tons in 1979, of which the United States supplied 818,000 tons—is still high on Iran's list of foods to import. Last summer Tehran contracted with Australia for 520,000 tons of wheat and by December 1979 approximately half had been delivered. Although Australia has refused to sign new wheat contracts with Iran—at least until this month—it is honoring previous commitments. Current negotiations indicate that Australia probably will supply another 500,000 tons over five months beginning in March.

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A widespread and sometimes frantic search for food has resulted in wheat purchases of 525,000 tons (300,000 from Argentina, 100,000 from Romania, and 125,000 from France) since late last year. If delivered on schedule these supplies, along with the amounts remaining on the Australian contract and 50,000 tons from Turkey, would cover Iran's needs until the domestic spring crop is in and might even allow for some stockpiling.

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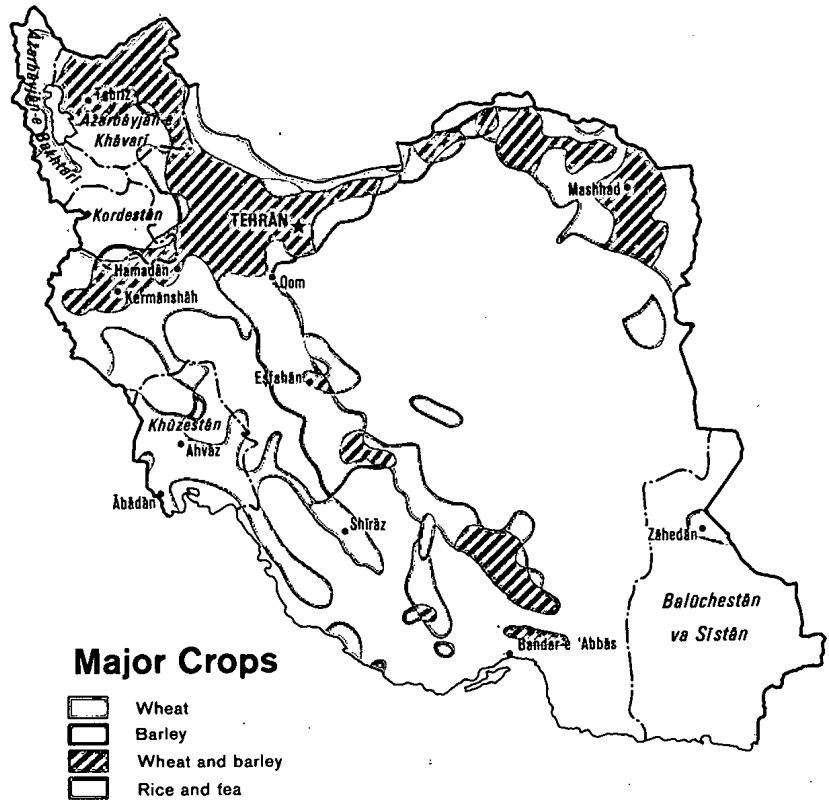
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# Iran

Figure 1



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Iran has not been as successful in finding the 400,000 to 500,000 tons of rice imports needed to supplement domestic supplies. Iran has purchased 75,000 to 100,000 tons of rice from Thailand, 30,000 to 60,000 from Pakistan, and 17,000 tons of US rice from a UK dealer. A Swiss grain broker reportedly sold 24,000 tons of US rice for shipment in late January and 25,000 tons of Thai rice for delivery in December and January. He has offered another 50,000 tons of US rice for delivery between February and April and 50,000 tons of Thai rice for delivery between January and March. It is unclear if rice purchases from Thailand are in addition, or are an alternative, to the delivery offered from the United States. Assuming these purchases are delivered shortly, Iran could still be roughly 200,000 to 250,000 tons short of filling its annual rice requirements.

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Searching for corn—another large import item, about 500,000 tons in 1979—has brought Iran together with some strange bedfellows. [redacted] the purchase of 30,000 tons of South African corn for feeding chickens. The corn will be delivered from Mozambique. [redacted] Although other purchases of corn have been observed, total contracts probably fall 300,000 to 350,000 tons short of last year's level. The United States, however, is such a large exporter of corn—some 50 million tons annually—that Iran should be able to pick up at least its minimum needs from any number of foreign grain firms. [redacted]

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**Shortages**

Despite adequate overall supplies, shortages of a growing list of specific products are increasing in urban centers. Meat shortages have prompted the government to initiate a rationing program, to give assistance to the poultry industry, to lower standards for meat imports, and to seek emergency deliveries. [redacted]

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On 22 January, the Iranian Meat Organization signed a contract to import 3,000 tons of Argentine meat; the contract provides for other purchases later. [redacted]

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**Other**

The government is continuing to search for new sources of other food items, especially feedgrains, vegetable oils, and sugar. While there is reporting on various confirmed sales and offers, the exact nature of them cannot be quantified. Because of Iran's high dependence on the United States for vegetable oils, corn, and soybean products, it is somewhat surprising that even greater shortages are not evident. One reason is that the return of many

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[Redacted]

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industrial workers to rural areas has led to reduced demand in the cities and subsistence living in the countryside. Moreover, Iran's commercial poultry and meat producers have had much of their livestock slaughtered—hence the reduced need for feedgrains and soybean products. [Redacted]

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US Trade

As long as the longshoremen refuse to load Iranian-bound ships, Iran will continue to seek US rice, soybean products, and other critical food items by circumventing normal procedures or through foreign traders. The most common method used is by changing bills of lading en route or by offloading at other Persian Gulf ports and transshipping to Iran. For example, Iran reportedly chartered a vessel to load 20,000 tons of bagged rice in New Orleans for delivery to Kuwait. The vessel was scheduled to call at Rotterdam where the bill of lading would be changed and the rice would then be delivered to Iran. Simpler versions of these schemes merely have a ship declare for any destination in the Persian Gulf and then go directly to Iran. More frequently, cargo is physically offloaded in a non-Iranian Persian Gulf port, usually Dubai, and transshipped to Iran in smaller vessels. Several European, and even some US sellers, are willing to cooperate with Iran if the cargo is at least nominally transshipped through non-Iranian ports. [Redacted]

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External Transport

While difficulties in lining up new food suppliers and opening letters of credit gradually are being overcome, food delivery to Iran has not improved. Overland routes to Iran via the Soviet Union and Turkey—which handled some 20 percent of Iranian foreign trade in the past—have been plagued with strikes by Iranian truck drivers, slowdowns by Iranian customs officials, growing ethnic frictions in Iran, and diminished security for transportation personnel and equipment in Iran. The reluctance on the part of international shippers and suppliers to move goods into Iran also has led to diminished imports at key border crossings. [Redacted]

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Fuel shortages and severe winter weather have added to the difficulties for truckers, and they reportedly were responsible for the latest delay in the delivery of wheat from Turkey. [Redacted]

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Shipping problems also have not been solved.

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Brokers and traders often send their worst vessels to Iran prompting breakdowns and delays in deliveries. Problems arranging delivery have compelled the Iranians to charter ships directly for food shipments and to increase the sailings of their own vessels. Port congestion, however, does not appear to be a serious problem and sporadic strikes are only a minor irritant.

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**Outlook**

In coming months the availability of food supplies will be heavily dependent on domestic production and distribution. Iran is not likely to benefit again from the combination of events that produced the good 1979 harvest. The agricultural sector is short of fertilizers and spare parts for farm equipment, and may lack adequate seed grains and pesticides. In mid-January the government attempted to purchase up to 50,000 tons of winter wheat seed from a US firm. Planting winter wheat at this late date probably would produce a crop of unsatisfactory quality and quantity.

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Ethnic unrest in some of the major grain-producing areas could also contribute to a reduced domestic crop.

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Farmers cannot expect much immediate support from the government. The current Minister of Agriculture apparently has no agricultural or administrative expertise. The bureaucracy continues to operate only in response to a crisis with no thought given to long-term planning for either producers or consumers. Current attempts at internal food distribution, chaotic at best, are increasingly hampered by problems facing the transportation system. The Iranian State Railway is in such dire need of spare parts for its American-made diesel-electric locomotives that some locomotives are being cannibalized. There are general shortages of all car and truck parts, particularly tires (which are made in Iran from raw material imported from Japan) and batteries.

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Iran's cities probably will have less food available from domestic production this year than normal. Shortages and unrest in the agricultural areas along with a return to the inefficient, nonmechanized cultivation of small plots will likely lead to a smaller than normal crop. Even if the rural areas produce at near normal levels, farmers may be more reluctant than ever to release supplies to the urban areas, which could create an acute supply problem. The government apparently is trying to prepare the country for this eventuality and for future shortages by exhorting the populace to eat less and cut down on waste.

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